

# Wisconsin Estate Tax Return – Form W706 Instructions

For Estates of Resident and Nonresident Decedents when  
Date of Death is on or after October 1, 2002

## GENERAL

A tax is imposed upon any transfer of property to any distributee in either of the following cases: (1) when the transfer is from a person who dies while a resident of Wisconsin, and (2) when the transfer is of property within the jurisdiction of Wisconsin and the decedent was not a resident of Wisconsin at death. The Wisconsin estate tax is based on the Federal State Death Tax Credit as computed on December 31, 2000. This tax is imposed upon both resident and nonresident decedents dying on or after October 1, 2002. Chapter 72, Wis. Stats.

## WHO MUST FILE

The Wisconsin Form W706 must be filed by the person who is or would be responsible for filing the Federal Estate Tax Return (i.e., personal representative, special administrator, trustee, distributee or other person who signs or would sign the Federal Form 706). Form W706 must be filed for every decedent whose gross estate, plus adjusted taxable gifts and specific exemption, is more than \$675,000.

## TIME TO FILE

The Form W706 is due 9 months after the date of death or when the Federal Estate Tax Return (Form 706) is required to be filed, as extended by the IRS or Form W4768, whichever is later. However, regardless of when the return is filed, the tax is due 9 months after date of death.

**Note** A filing/payment sent via the U.S. Postal Service is considered timely if it is postmarked by the due date and is received by the department within five working days of the due date. A filing/payment sent by any other means will be considered timely only if it is received by the department on or before the due date.

## PAYMENT OF TAX AND REFUND

Payment of tax is due 9 months after date of death. Federal extensions of time to pay do not apply to payment of the Wisconsin estate tax. Payment must be made to the Wisconsin Department of Revenue. Full payment must accompany the Form W706. If a prepayment was made (Form 401T), any additional tax, interest and penalty must accompany the return. Pay the amount shown on Line 10 of this return. Any overpayment of the tax as finally determined will be refunded to the payor. However, no interest will be paid on the refund.

## INTEREST

If the estate tax as finally determined is not paid within 9 months of the decedent's death, interest is due. Interest is calculated from the date of death to the date the tax is paid at the rate of 12% per year. Interest is assessed regardless of any extension to file the return.

## PENALTY

Any person who fails to file a return by the due date is subject to a penalty of 5% of the Wisconsin estate tax as finally determined (Line 5, Form W706) but not less than \$25 nor more than \$500. The penalty is imposed even if there is no tax due.

## ATTACHMENTS REQUIRED

A complete copy of the Federal Estate Tax Return Form 706 and copies of ALL DOCUMENTS submitted with the Form 706 must be filed with the Wisconsin Form W706.

## WHERE TO FILE

Mail the completed Form W706 to the following address:

Wisconsin Department of Revenue  
PO Box 8904  
Madison WI 53708-8904

If a private carrier is used, the Form W706 and/or payment must be received by the Department no later than the due date of the return. The street address is: Wisconsin Department of Revenue, 2135 Rimrock Road, Madison WI 53713.

## CERTIFICATE DETERMINING ESTATE TAX

Upon receipt of the return and payment of the liability and after audit, the Department of Revenue will issue a dated certificate showing the amount of tax, interest and penalty.

## CHANGES TO FEDERAL ESTATE TAX RETURN (FORM 706) OR FEDERAL ESTATE TAX

If the Federal Form 706 or the federal estate tax is amended or adjusted by any means, including a federal estate tax audit, a refund claim or a supplemental Federal Estate Tax Return, the Wisconsin Department of Revenue must be notified within 30 days.

## INSTALLMENT PAYMENTS

Some estates may qualify to pay the Wisconsin estate tax in installments. If a percentage of the federal tax on an estate may be paid in installments under section 6166 of the Internal Revenue Code (IRC), the same percentage of Wisconsin estate tax may be paid under the same installment schedule. An election to pay in installments for federal estate tax purposes does not constitute an election for Wisconsin estate tax purposes. Written notice of the election to pay the Wisconsin estate tax in installments must be filed with the Wisconsin Department of Revenue within nine months after the decedent's death. The provisions on acceleration of installment payments under section 6166(g) of the IRC shall apply. Contact the Wisconsin Department of Revenue for further information at (608) 266-2772.

Interest is computed at the rate of 12 percent per annum from date of death. Distributees of real estate must provide the department a certified copy of a lien for unpaid taxes and interest on the property to secure payment, and shall record the lien in the office of the register of deeds of the county in which the property is located. Distributees of personal property shall either provide a lien or provide the department a financial guarantee bond equal to the estimated tax and interest, if the tax has not been determined. Upon determination of the tax, distributees of personal property shall provide a lien or a financial guarantee bond sufficient to secure payment of the tax and interest or pay the excess over the amount of tax and interest secured by the bond.

Any distributee who fails to provide the security required or disposes of one-third or more of the property on which the tax is secured, shall pay the tax in full.

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## SPECIFIC INSTRUCTIONS

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Complete the top portion of the Form W706 by printing or typing the required information in the boxes provided. Also complete the Federal Estate Tax Return, Form 706 and all supporting schedules. Attachments include, the decedent's will, trust instrument, appraisals, disclaimers, elections and death certificate.

## DEFINITIONS

**Gross Value:** For estates not required to file federal Form 706, the gross estate is the date of death value (not reduced by mortgages and liens). For estates where there is a federal filing requirement, gross value is the value reported on Form 706 (not reduced by mortgages and liens), or as finally determined by federal audit.

**Non Taxable Insurance and Pensions:** No tax is imposed upon the transfer of benefits or any right or interest in benefits payable to a decedent's estate or distributee for any employee retirement plan of the United States, State of Wisconsin or Wisconsin municipality. (Sec. 40.08(1) Wis. Stats.) Life insurance administered by the Department of Employee Trust Funds is nontaxable for Wisconsin estate tax purposes.

**Payment of Tax:** Estate tax is due and payable 9 months after the decedent's date of death. If the estate tax as finally determined is not paid within 9 months of the decedent's date of death, interest is due from the date of death until paid. Any late payment received will first be applied against penalty and/or interest, if any, and the remainder will be applied to tax.

**Note:** If any payment is returned for any reason, payment is considered void and interest applies back to date of death on a replacement payment received after the due date.

There is no extension for payment of Wisconsin estate tax. Any amount not paid within 9 months of the decedent's date of death will have interest charged from the date of death until paid. (Example – Date of death is October 30, 2002, the due date is July 30, 2003)

**Forms:** **W706 – Wisconsin Estate Tax Return** – Used for reporting Wisconsin estate tax.

**W706 Schedule TC – Tax Computation Schedule** – Used for computing the Wisconsin estate tax for dates of death beginning October 1, 2002. Attach to Form W706.

**401T – Report of Estate or Inheritance Tax Payment** – Used for advance payments. This form is completed by the payor ( in duplicate) when submit-

ting an advance payment of Wisconsin estate tax prior to filing the Wisconsin Estate Tax Return (Form W706). The department will return the duplicate copy acknowledging receipt of payment.

**Caution:** Wisconsin estate tax payments remitted on Form 1-ES ( income tax installment) will **not** be considered timely.

**Form W4768 – Application for Extension to File** – This form must be filed ( in duplicate) on or before the 9 month anniversary of the decedent's date of death, if the Wisconsin Estate Tax Return, Form W706 cannot be timely filed. For an estate where there is a federal filing requirement, the Federal Extension, Form 4768, will be accepted if approved by the Internal Revenue Service. A copy of the **approved** extension must be submitted to the Wisconsin Department of Revenue.

**Note:** If an advance payment of Wisconsin estate tax is to be made, submit payment with Form 401T and Form W4768.

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## LINE INSTRUCTIONS FOR FORM W706

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Line 1 – Complete Schedule TC – Tax Computation Schedule, lines 1 thru 5 and lines 8 thru 13. Enter the lesser of lines 5 or 13 on line 1, Form W706.

Line 2 – Enter gross value of Wisconsin property as defined previously.

Line 3 – Enter gross value of total property as defined previously.

Line 4 – This represents the percentage of gross Wisconsin property to gross total property. Wisconsin property percentage is carried out to 4 decimal places.

$$\frac{\text{Wisconsin Gross Property (line 2, Form W706)}}{\text{Total Gross Property (line 3, Form W706)}} = \text{Percent of Property in Wisconsin}$$

**Note:** See definition of gross value as defined previously.

**Example:** A Wisconsin resident died October 1, 2002 with a gross estate of \$750,000.00 which included \$350,000.00 of out of state real estate.

$$\frac{\$400,000.00}{\$750,000.00} = 53.33\%$$

Line 5 – Enter amount from line 16, Schedule TC – Tax Computation Schedule

Line 6 – See general instructions regarding interest.

Line 7 – See general instructions regarding penalty.